

Federal Update

Medicaid & Food Stamps Still Being Debated as Year Ends

In November, both the House and Senate approved their own versions of a budget reconciliation bill that decreases funding to mandatory (entitlement) programs – the Senate bill cuts \$35 billion, while the House cuts \$50 billion. The differences between the two bills must be ironed out by a Conference Committee. At this time, conferees for the reconciliation bill have not been named.

New motions instructed Senate conferees that any reconciliation conference report not contain any cuts to Food Stamps; that any conference report not impair access to, undermine eligibility for, or adversely affect Medicaid services; and that any conference report not include reauthorization of the Temporary Assistance to Needy Families (TANF).

Sen. Specter and Sen. Santorum voted for all three motions.

Here is a summary of critical elements in the House and Senate bills:

Medicaid: Though the Senate would cut Medicaid by about \$6.1 billion over the next five years, this chamber's version achieves much of the required savings through curbing

excessive managed care payments in the Medicare program and by reducing what Medicaid pays for prescription drugs.

The House, on the other hand, would cut \$11.4 billion from Medicaid and would allow states for the first time to charge low-income working families premiums and co-payments in order for their children to participate in the Medicaid program, access health care services, or obtain prescription drugs. Those most likely to face higher premiums and co-payment levels are children whose families have incomes just above the poverty line (or above 133 percent of poverty for children under six). Thirteen percent of Pennsylvanians receive Medicaid/Medical Assistance benefits and 60 percent of those who rely on Medical Assistance resources are children and families.

The House-passed reconciliation bill would permit states to charge tiered prescription drug copayments to all Medicaid beneficiaries. Under a tiered copayment system, copays are set at a lower level for "preferred" drugs, such as generic drugs

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and/or specified brand-name drugs, than the copayment level for “non-preferred” drugs. The House bill would allow states that establish a tiered system to charge populations below poverty \$3 per prescription for non-preferred drugs. States could also choose to impose even higher tiered drug co-payments on non-exempt groups above the poverty line. And for the first time, pharmacies would be permitted to deny needed medications to beneficiaries if they are unable to pay.

Research shows that even modest increases in copays can cause significant numbers of low-income beneficiaries to go without needed health care services and prescription medications.

Food Stamps: The Senate chose not to cut Food Stamps. According to the Congressional Budget Office (CBO), the cuts in Food Stamps in the House version will mean that 295,000 people, most of whom live in low-income working families, will be eliminated from the program. The loss in Food Stamps comes from two provisions: The bill would prohibit states from extending nutrition benefits to people whose incomes are just above the income limits before housing and work expenses are taken into account, but below the poverty line after those expenses are taken into account. The second provision would terminate Food Stamps to 70,000 legal immigrants, many of whom also are in working families, who have lived in the United States for more than five years but less than seven years.

Several Republican senators, including Sen. Arlen Specter and Sen. Rick Santorum, signed onto a letter to Senate leadership urging rejection of any Food Stamps cuts in a final bill. A motion to instruct conferees was passed in the Senate.

Child Support: The House bill cuts \$5 billion from child support enforcement while the Senate chose to spare this program. According to CBO estimates, cuts in federal child support enforcement funding will mean that an additional \$24 billion in child support

will go uncollected. Reducing enforcement efforts means more non-custodial parents will be able to shirk their financial responsibilities to their children.

Forty senators, including Sen. Specter, have signed onto a letter objecting to cuts to child support enforcement.

TANF/Welfare Reform: The House bill requires many more families to participate for longer hours in paid or unpaid work. The bill provides an inadequate \$500 million in new child care funds – half of what previous House bills proposed. As a result, 330,000 fewer children will receive child care help. The bill makes it harder for low-income parents to get education, training, rehabilitation or other services to enable them to work at decent pay. In addition, welfare advocates have been asking senators to object to including TANF inside a reconciliation bill. Six Republican senators, including Sen. Specter, have signed a letter being circulated by Olympia Snowe (ME) asking Majority Leader Bill Frist (TN) to ensure TANF stays out of a final bill.

Foster Care: The House bill cuts \$600 million from programs for abused and neglected children. The bill limits eligibility for federal foster care payments for grandparents taking care of their grandchildren. The Senate bill does not make cuts to child welfare programs.

Discretionary Funding Update

On Dec. 14, the House voted to narrowly approve a \$602 billion Labor/HHS appropriations bill that reduces discretionary spending by about one percent. The House conference report calls for a \$10 million cut to Head Start and cuts to programs including rural health care and medical training. Head Start provides education, health and nutrition services to nearly one million low-income children. In Pennsylvania, 66.5 percent of eligible 3 and 4-year-olds are enrolled in Head Start.

As of press time, the Senate was expected to vote on the Labor/HHS bill.

State Update

Taxpayer Fairness Act Not Fair to Kids

The House and Senate have passed separate legislation that would place a spending caps limit on the growth of the general fund. These bills will have unintended consequences in future years that will negatively impact the Commonwealth's ability to provide needed services to our children.

The proposed cap limits the growth of general fund spending to a formula based on population growth plus inflation based on the consumer price index (CPI). Inflation, as measured by the CPI, measures the increase in the cost of a "basket of goods" that a family buys such as food, clothing, housing, transportation and energy. The basket of goods that a state government purchases – including basic and special education, health care to the elderly, poor and disabled, and public safety programs such as law enforcement and corrections – rises much more quickly than the CPI.

Funding for programs as diverse as basic education, child welfare and CHIP may all find themselves short-changed in future years. When children thrive, Pennsylvanians save money on special education, health care, corrections and welfare.

A House bill with Senate amendments has been returned to the House for concurrence.

Property Tax Reform Debate Continues

Legislators from both the House and Senate drafted new legislation this month to cut property taxes in an effort to reform public school funding. The Senate version would give voters in each school district the opportunity to decide if they want to raise local income taxes as a way to reduce school property taxes. The Senate plan also would continue to use slots revenue as a way to further cut property taxes.

The House plan would enhance the state sales tax to include more taxable items (that are not taxable today) and raise the state personal income tax from 3.07% to 3.29.

The House and Senate must compromise on a plan before sending to the governor for his endorsement. As of press time, the Senate is out of session until after the holidays, though there is some talk that the Senate would come back if an agreement were pending.

New Panel to Study Health Insurance Coverage

Gov. Rendell has created a new panel to work with the Governor's Office of Health Care Reform to study ways to expand access to affordable, high-quality health care coverage for all Pennsylvanians. After receiving feedback from panel members – including consumers, business owners, health care providers and insurers – the Governor's Office of Health Care Reform will create a plan for affordable, high-quality health care.

The panel will complete its work by June 2006 and send its plan to the governor to review. Gov. Rendell will review recommendations and budget considerations and present a plan by the end of 2006.

TANF State Plan

The Department of Public Welfare has prepared and is making available for comment an updated Temporary Assistance to Needy Families (TANF) State Plan. DPW filed notice in the Pennsylvania Bulletin Nov. 12 beginning the required 45-day public comment period. Comments received by Dec. 26 will be reviewed and considered for any subsequent revision of the State Plan. The updated State Plan will be submitted to DHHS by the end of December.

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Changes to Relative/Neighbor Child Care Provider Rate

On Dec. 1, the Department of Public Welfare (DPW) began paying relative/neighbor (R/N) child care providers the same daily rate regardless of CareCheck status and certification. The Maximum Child Care Allowance (MCCA) is the lower rate previously known as the “uncertified” R/N rate.

Child care providers for families receiving public assistance will no longer receive the 10 percent premium for child care services they provide. All relative/neighbor providers will be paid at the same rate.

Energy Assistance Season Opens

The Pennsylvania Low-Income Home Energy Assistance Program (LIHEAP) helps low-income people pay their heating bills through energy assistance grants. People need not have an unpaid bill to receive energy assistance and no lien is placed on a person’s property if they receive this help. For example, a family of four with an income level of \$26,123 (or 135% of federal poverty income guidelines) is eligible.

The LIHEAP season began Nov. 7. Interested persons

can apply online at www.compass.state.pa.us. If a person is eligible for LIHEAP, a payment will be sent directly to the utility/fuel dealer and the payment will be credited on the person’s bill. More information is available by calling the LIHEAP hotline at 866-857-7095.

A bill passed by the House and Senate – and sent to Gov. Rendell – provides approximately \$21 million in state funding for LIHEAP. For the first time, the state funds will supplement federal funds.

Premiums for Children with Disabilities – Update

Earlier this year, the Department of Public Welfare submitted an 1115 waiver request to allow the Department to charge a premium to families whose child or children are enrolled in Medicaid through the PH-95 disability category. Currently in this category, parental income is not counted when calculating eligibility for Medicaid. As reported previously in CapWatch, comments on the waiver were due by Sept. 12 and the premiums were tentatively set to begin in November, but will not start until the Department receives approval from the federal Center for Medicare /Medicaid Services.

The new regulations will be published by Dec. 31 in the Pennsylvania Bulletin.

Education News

State Board of Education: The State Board of Education continues its consideration of the state’s first-ever pre-K regulations and a PDE proposal to revise certification for early childhood, elementary, and special education teachers during the next month.

Upon the urging of PPC, the Department has revised its proposed pre-K regulations to specify class size limits and require the initial planning for pre-K to be a specifically focused effort rather than simply part of a school district’s strategic plan. Those revisions and several to address the accessibility of pre-K for

children with disabilities will be the subject of three public hearings in the next month (January 24 in Harrisburg; January 27 in Norristown; and February 1 in Homestead).

The Board’s Committee on teacher education and certification has asked the Department to revise its proposed changes in Chapter 49 – retaining the proposed separation of certificates for pre-K through third grade and third through sixth grades, but dropping the requirement that all early childhood and elementary teachers be dually certified in special

education. However, all of those teachers would need specific content in teaching children with disabilities and English language learners, and special education teachers would need to be dually certified in early childhood, elementary, or a specific subject area. These changes would apply only prospectively. Hearings will be conducted on the same dates and at the same sites as above.

Those wishing to testify at either or both sets of hearings should contact the State Board office at 717-787-3787.

Governor's Commissions: Governor Rendell has appointed two Commissions – the Commission on College and Career Success and the Commission on Training America's Teachers. The former is to recommend improvements in the state's high schools so all students graduate from high school well prepared for college or careers. The latter is to recommend improvements in initial preparation of teachers, their continuing professional education, responding to shortages in quality teachers in some areas and subjects, and capitalizing economically on the state's historic "over-supply" of teachers.

Joan Benso, PPC's President and CEO, was appointed by the Governor to serve on the Commission on College and Career Success. Robert Feir, PPC's Director of Education Initiatives, serves as Executive Director of the Commission on Training America's Teachers (although that appointment is in his role as President of EdStrat21, a Harrisburg-based education strategies consulting firm).

On Dec. 13, Acting Secretary Gerald Zahorchak's nomination was endorsed unanimously by the Senate Education Committee and sent to the full Senate for confirmation.